BRITISH COLUMBIA
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BC Stats

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue 07-43 October 19, 2007

- **Inflation in BC rises to 1.9% in September**
- **Homicide rate in BC up 5.9% in 2006**
- **Undergraduate tuition fees increase 2.4% for 2007/2008 academic year**

Prices

- **British Columbia's year-over-year inflation rate rose 0.6 percentage points to 1.9% in September.** Despite a decline in the price of durable goods (-0.4%), energy prices climbed higher (+3.5%) and provided the much of the thrust for the increase in the overall price level observed in September.

  Shelter was more costly (+1.9%) with the price level of both rented (+1.4%) and owned (+2.4%) accommodation climbing higher. A drop in the price for electricity (-0.3%) and fuel oil & other fuel (-3.8%) was nearly enough to offset an increase in the cost of water (+7.5%) and piped gas (+2.7%), leaving the average household utility bill only slightly (+0.3%) higher.

  Food purchases cost 2.0% more as the cost of enjoying a meal at a restaurant increased by 4.0% and grocery bills rose 0.9%. Transportation costs were 2.3% higher in September as the cost of repair & maintenance (+8.6%) and gasoline (+7.2%) rose sharply.

  Prices in Vancouver rose 2.1% in September, higher than the provincial average. The price level in Victoria, however, increased only 1.2%.

  Data Source: Statistics Canada

- **Canada's overall inflation rate rose to 2.5% in September, a significant jump from the 1.7% recorded in August and the largest year-over-year increase recorded since May 2006.** The rapid increase in the price level is largely due to a surge in the price of gasoline (+12.7%) and a sharp rise in the cost of owned accommodation (+4.8%). Alberta had the highest provincial inflation rate at 4.6% mainly as a result of an 18.4% increase in gasoline prices.

  Data Source: Statistics Canada

The Economy

- **Sales of manufactured goods in the province edged 0.9% (*seasonally adjusted*) higher in August.** Sales of durable goods inched higher by 0.7% as increased sales among producers of primary metals (+4.4%), machinery (+3.0%) and fabricated metals (+2.9%) compensated for a slowdown in the value of shipments from the wood products industry (-1.9%). Sales of chemical products slumped 1.9% in August, but an increase in sales of paper products (+2.3%) and food (+1.7%) pushed overall sales of non-durable goods higher by 1.2%.

  Saskatchewan (+15.4%) reported the largest gains in August due to an expansion in primary metals manufacturing and food products. Ontario, on the other hand, reported the weakest provincial sales, shedding 4.6% or $1.2 billion worth of manufactured goods.

  Data Source: Statistics Canada

- **New motor vehicle sales in BC slipped 0.7% in August, the fourth consecutive monthly drop in sales and the sixth decline since the beginning of 2007.** Sales of overseas cars and trucks as well as domestic cars dropped significantly from the previous month. Sales of domestic trucks were virtually unchanged from July.

  Canada-wide, sales of new motor vehicles advanced 2.8% in August, on the strength of increased activity recorded in both Quebec (+4.6%) and Ontario (+4.3%). Sales in Alberta (-0.5%) were down slightly in August.

  Data Source: Statistics Canada & BC Stats

- **Wholesale trade in British Columbia dropped 4.9% (*seasonally adjusted*) in August.** Downward pressure on wholesale sales was primarily due to weaker wholesale sales of machinery

Report Hollywood Cries "Blame Canada" Again

Did you know...
In October 2006, Canadian sales of candy, confections and snacks totalled $266 million!
Data Source: Statistics Canada

& equipment (-1.3%), lumber & millwork (-6.5%), building supplies (-5.6%), and other products (-9.7%). Modest gains were made by wholesalers of farm products (+0.9%) and computers & other electrical equipment (+1.7%).

Nationally, wholesale sales were off 2.0% in August as a result of weaker demand for automotive products (-5.3%), machinery & electronic equipment (-4.2%) and building materials (-2.2%). *Data Source: Statistics Canada & BC Stats*

Crime

- **A total of 108 homicides were recorded by police in British Columbia in 2006.** This translated to a provincial homicide rate of 2.51 per 100,000 population, up 5.9% from the homicide rate of 2.37 recorded in 2005. Vancouver was the only metropolitan area in BC to record a homicide rate higher than the provincial average at 2.52. Down sharply (-12.2%) from the rate of 2.87 reported in the previous year. The homicide rate for Abbotsford also declined (-25.7%) from 2.45 in 2005 to 1.82 in 2006 while Victoria's homicide rate doubled from 0.59 to 1.18.

  The national homicide rate was 1.85 (-9.7%) with police recording 605 victims of homicide in 2006, 58 fewer victims than the previous year.

  Homicide rates were highest in western Canada. Saskatchewan (4.06), Manitoba (3.31), Alberta (2.84) all recorded the highest homicide rates in the country. However, police services in all three of these provinces reported a lower homicide rate in 2006 than in 2005. In fact, every province, with the exception of British Columbia and Prince Edward Island, recorded a lower homicide rate in 2006. With only one murder reported in 2006, Prince Edward Island (0.72) had the lowest homicide rate in the country, followed by New Brunswick (0.93) and Newfoundland and Labrador (1.37).

  Youth homicide (3.25) is on the rise, reaching its highest level since homicide records were initially collected in 1961. A total of 84 individuals aged 12 to 17 years were accused of murder in 2006, accounting for 15% of the total number of persons accused of homicide.

  When compared to other nations around the world, Canada's homicide rate is most like that of Scotland (1.83). Canada has a lower homicide rate than that of Germany (2.90), Switzerland (2.73) and Sweden (2.64) and a higher homicide rate than England & Wales (1.41), France (1.39) and Japan (0.64).

  Data Source: SC Cat. #85-002-XIE

Education

- **Undergraduate tuition fees at British Columbia's universities rose an average of 2.4% for the 2007/2008 academic year for full-time Canadian students.** Tuition fees for full-time undergraduate studies in BC sit at an average of $4,855 for Canadian students. Full-time graduate studies cost an average of $5,716 for the 2007/2008 academic year, an increase of 2.0% over the previous year.

  Nationally, full-time undergraduate fees for Canadian students rose 2.8% to $4,524 in 2007/2008. The largest increases in tuition fees were in New Brunswick (+4.8%) and Quebec (+4.8%). However, despite the increase in tuition, Quebec still had lowest tuition fees in the country at and average of $2,025 as the result of a freeze on tuition fees that was only recently lifted. *Data Source: Statistics Canada*

The Nation

- **Canada's composite leading index advanced 0.4% in September, adding to the 0.3% increase in August.** Demand for housing remains the main driver for growth, jumping 5.3% in September. Activity in the manufacturing sector continued to be mixed as orders rose while the ratio of shipments to inventories remained unchanged. *Data Source: Statistics Canada*

- **Canadians shed $7.4 billion worth of foreign securities in August as residents moved to minimize their exposure to the effects of the ongoing credit crunch.** Similarly, non-residents divested themselves of Canadian money market paper totalling $476 million.

  Data Source: Statistics Canada

Infoline *Issue: 07-42*
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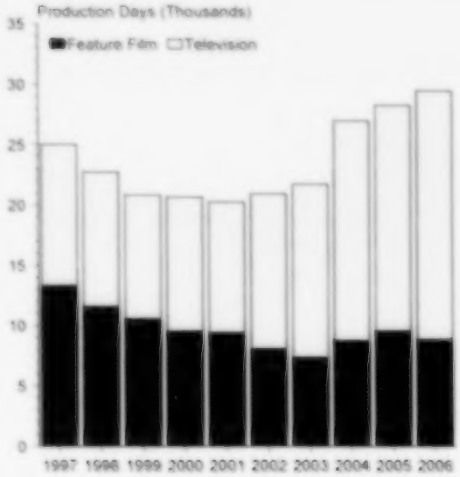
Contact: Dan Schrier
(250) 387-0376
Originally published in
Business Indicators Issue 07-09

Hollywood Cries "Blame Canada" Again

Canada's film and television industry is under attack from Hollywood once again. The Film and Television Action Committee (FTAC), a coalition of actors and technical workers, has filed a petition with the United States Trade Representative alleging that Canadian tax incentives for film and television production amount to an unfair trade practise. FTAC claims that, as a result of film and television incentives from various countries, the American economy has lost 47,000 jobs per year since 2000, with most of those going to Canada.

The job loss figure is derived from a report by the Center for Entertainment Industry Data and Research (CEIDR), which bases the number on the decline in the amount spent in the United States on production of movies for theatrical release.[1] The report doesn't go into enough detail on the specifics of methodology and data sources to allow for a proper critique, but basing employment figures on expenditure data is rather dubious, particularly in an industry where the ratio of wages to overall expenditures will vary significantly depending on the budget of the film (i.e., large budget films will have a far greater proportion of expenditures on special effects and post-production work, while for smaller budget movies, more of the costs will be taken up by wages). The job loss figure also doesn't account for the fact that a significant amount of the production in the United States, particularly in California, has shifted toward television.

A sharp increase in TV production in Los Angeles has more than offset a decline in feature films



Source: FilmL.A. Inc.

According to FilmL.A. Inc., a Los Angeles-based non-profit organization that offers assistance to filmmakers, the drop in production of feature films in Los Angeles has been more than offset by a corresponding increase in television production. The number of days spent on feature film production in the city dropped from 13,284 in 1997 to 8,813 in 2006, while days spent on television production climbed from 11,713 to 20,652.[2]

Based on data from the US Bureau of Labour Statistics, employment in film and television production dropped between 1997 and 1998, but has been relatively stable since that time.[3] The claims of massive job losses in the industry appear to be unfounded. It is possible that the shift from higher budget feature film productions to lower budget television

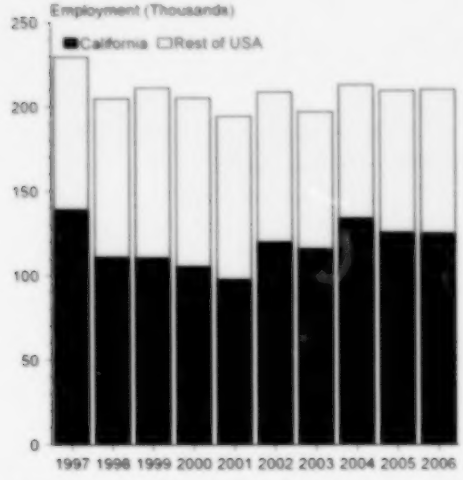
[1] The Center for Entertainment Industry Data and Research, "The Global Success of Production Tax Incentives and the Migration of Feature Film Production from the U.S. to the World: Year 2005 Production Report," 2006.

[2] Data extracted from FilmL.A. Inc. website: www.eidr.com.

[3] The film and television industry is defined here as being comprised of NAICS industries 51211 Motion Picture and Video Production and 51219 Post-Production and Other Motion Picture and Video Industries.

projects has resulted in a decline in jobs in specific sectors, particularly those indirect jobs outside the industry, but it is likely the number of these jobs is nowhere near as significant as that claimed by FTAC.

Employment in the film and television industry in the US has remained stable over the last decade



Source: US Bureau of Labour Statistics

The job loss calculation from the CEIDR report seems to be based on the idea that the US market share of feature film production should remain intact. The report states that the US share of production dollars from theatrical releases dropped from 71% in 1998 to 47% in 2005. At the same time, according to the report, worldwide expenditures on theatrical production climbed 30% from $5.6 billion in 1998 to $7.2 billion in 2005; however, production dollars spent in the US dropped 14% over the same period.

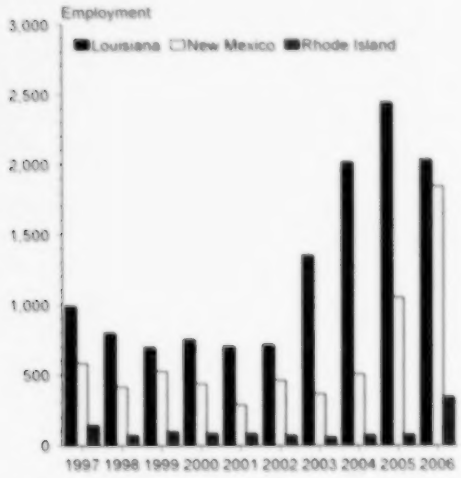
It is likely that the sudden upsurge in incentives offered around the globe is indeed responsible for taking away production that would otherwise have been filmed in the United States, but it is highly unlikely that even in absence of these incentives, the US would have attracted the same share of production as it did in 1998. Some of the increase in production was likely due to the fact that the industry has expanded such that there are more locations and more people available to shoot more movies. Without these new resources, many of these films may not even have been contemplated. In some cases, the movies may have been local productions that would never have been shot in the United States in the first place. It is also possible that a significant number of the films were produced only because the potential cost savings of shooting outside the United States made the film financially viable. Without these savings, they may never have been made.

Nevertheless, while the effects of so-called "runaway production" on the industry in the US may be overstated by FTAC, the question still remains as to whether the incentives offered in Canada and elsewhere do represent an unfair trade practise.

Generally, the argument for offering subsidies is that a new industry needs assistance in order to compete with other jurisdictions where there is already an infrastructure in place. However, once that industry has been established, it should be allowed to sink or swim on its own. The problem with this theory when it is applied to the motion picture industry is that there have been many players entering the industry all around the same time and all of them are offering incentives to entice filmmakers. The nature of the movie industry is that it is very mobile and producers have the ability to shop around for the best deal. For example, in 2005, a number of high-profile productions threatened to leave British Columbia to take advantage of higher subsidies offered in Ontario and Quebec. The provincial government had to either accept the consequent loss of revenue and employment or boost their own incentives to the industry. Not too surprisingly, the government chose the latter course of action and the productions remained in BC.

British Columbia does not just compete with other Canadian provinces for film production, but also with budding film sectors around the world in places as disparate as New Zealand, Hungary and South Africa. While Canada is the primary target of FTAC's challenge, these other countries are also on their radar. However, FTAC will have a difficult time arguing that incentives in these countries are unfairly harming the US industry, since most American states also offer incentives of one kind or another, including some that are as lucrative, or perhaps even more so, than those offered in Canada. One of the first states to jump on the incentive bandwagon was Louisiana, which started offering tax credits to the film industry in 2003 and subsequently saw film production in the state skyrocket. New Mexico offers a 25% tax rebate (not a credit, as their film office's web site is quick to point out) on all production expenditures in state. As a result, employment in the film industry in New Mexico more than tripled between 2004 and 2006. Rhode Island approved a 25% tax credit in 2005 and employment more than quadrupled in 2006.

States offering lucrative incentives have experienced a significant boost in film activity



Source: US Bureau of Labour Statistics

These are just a few of the many states that are offering incentives to lure film production away from other jurisdictions, including other states such as California. If Canada and other countries that are offering incentives to the film industry are violating international trade laws by doing so, then so too is the United States.

Another problem with the FTAC complaint is the underlying concept that the United States in general, and California in particular, is the natural location of film production and should continue to produce the bulk of the world's theatrical releases in perpetuity. According to the Motion Picture Association, approximately 63% of the worldwide box office for theatrical releases was garnered in countries outside the United States.[4] Not only is the revenue from films coming mostly from foreign sources, but financing for many motion pictures is often derived from foreign investors as well. With this is mind, it seems a little ridiculous to suggest that California should continue to have a near monopoly on film production. As more countries develop film sectors with skilled work forces, it is likely that film production will continue to branch out.

The timing of the FTAC complaint is curious considering that the Canadian dollar is flirting with par with its American counterpart, erasing the exchange rate advantage that was another key component in Canada's ability to attract foreign location productions. The rapid appreciation of the Canadian dollar is of particular concern to the industry in British Columbia, since most of the province's film and television activity is derived from foreign location productions. In 2006, about 77% of film and television expenditures in the province

[4] Data extracted from the Motion Picture Association of America website: www.mpa.org

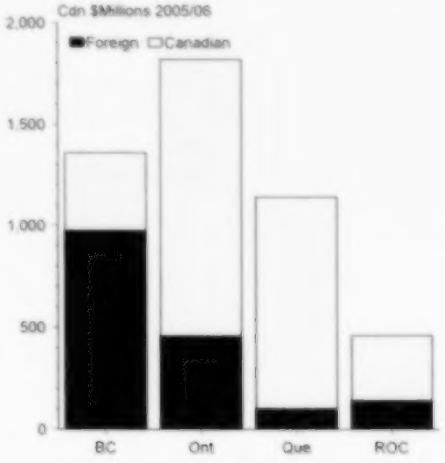
were derived from foreign productions, with most of those being American projects.[5]

Other provinces have nowhere near the same reliance on foreign location production. According to an annual industry report,[6] over the last five years the average proportion of Canadian film and television production expenditures comprised of foreign location shooting was 36%. The five-year average was only 18% in Quebec, where domestic production for the francophone market dominates the industry. In Ontario, just 26% of expenditures were derived from foreign location production, while the five-year average for BC was 72%.

The rising dollar combined with competitive incentives available in other jurisdictions are real threats to the health of BC's film and television industry given the fickle nature of the major film studios and their willingness to shift productions to the lowest cost alternative. At some point, increasing available tax credits in order to retain production in the province will no longer be a viable option as the cost of the incentives will outweigh the benefits. If British Columbia continues to chase after Hollywood productions rather than make efforts to develop more domestic projects, it is highly likely that the industry will not be able to sustain current production levels.

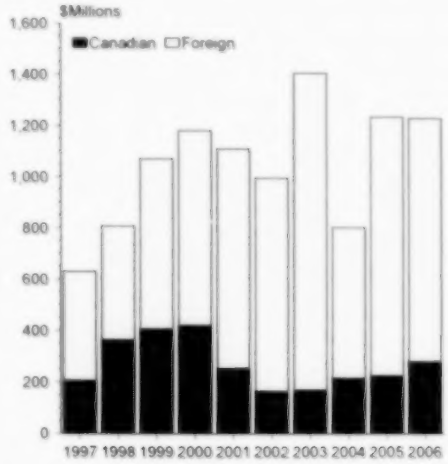
Unfortunately, the domestic industry faces a number of hurdles when it comes to producing Canadian films, including finding financing for the production, getting the funding for marketing and promotion of the finished product and even in finding venues in which to showcase these movies. Perhaps the federal and provincial governments may eventually find that there is a better return in solving these problems than in throwing money at foreign producers. Until that time, the BC industry will have to find a way to survive in the face of mounting competition and the loss of the exchange rate advantage.

BC is far more reliant on foreign location film and TV production than any other province



Source: Canadian Heritage, CFTPA, APFTQ (Profile 2007)

The bulk of BC's film and television production is comprised of foreign location productions



Source: BC Film Commission

[5] Data extracted from the BC Film Commission website www.bcfilmcommission.com

[6] Profile 2007: An Economic Report on the Canadian Film and Television Production Industry is an annual report published by the Canadian Film and Television Production Association with the collaboration of l'Association des producteurs de films et de télévision du Québec and the Department of Canadian Heritage using facts and figures prepared by the Nordicity Group Ltd. Note that the figures quoted from this publication may not be entirely consistent with those from the BC Film Commission due to definitional and methodological differences.

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October 19, 2007
Issue 07-42

BC at a glance . . .

POPULATION (thousands)	Jul 1/07	% change on one year ago
BC	4,380.3	1.4
Canada	32,976.0	1.0
GDP and INCOME (Released Apr 25)		
(BC - at market prices)	2006	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	179,701	6.4
GDP *($ 1997 millions)*	150,741	3.6
GDP *($ 1997 per Capita)*	34,971	2.3
Personal Disposable Income *($ 1997 per Capita)*	21,984	4.8
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Aug	3,636	0.9
Merchandise Exports - Aug	2,480	-5.8
Retail Sales - Jul	4,734	0.0
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
(all items - Sep 2007)		
BC	1.9	1.8
Vancouver	2.1	2.2
Victoria	1.2	1.2
Canada	2.5	1.9
LABOUR FORCE (thousands)	Sep '07	% change on prev. month
(seasonally adjusted)		
Labour Force - BC	2,370	0.4
Employed - BC	2,267	0.0
Unemployed - BC	103	9.3
		Aug '07
Unemployment Rate - BC *(percent)*	4.3	4.0
Unemployment Rate - Canada *(percent)*	5.9	6.0
INTEREST RATES (percent)	Oct 17/07	Oct 18/06
Prime Business Rate	6.25	6.00
Conventional Mortgages - 1 year	7.25	6.40
- 5 year	7.44	6.60
US-CANADA EXCHANGE RATE	Oct 17/07	Oct 18/06
(avg. noon spot rate) Cdn $ per US $	0.9737	1.1379
(closing rate) US $ per Cdn $	1.0250	0.8800
AVERAGE WEEKLY WAGE RATE	Sep '07	% change on one year ago
(industrial aggregate - dollars)		
BC	754.74	3.4
Canada	766.03	4.1

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Small Business Profile

A joint product of BC Stats, the Ministry of Small Business and Revenue, Small Business BC and Western Economic Diversification Canada, this annual publication provides a profile of BC's small businesses, including number of businesses, employment and GDP.

www.bcstats.gov.bc.ca/data/bus_stat/busind/sm_bus.asp#sbp

BC High Technology Profile

The 2007 Edition of the high technology profile looks at the sector in BC through an examination of key indicators such as GDP, revenue, employment, wages and salaries, establishment counts and international trade. It also offers comparisons with other provinces and US states to give a picture of the relative size of BC's industry.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp

Environmental Statistics Portal

A new Environmental Statistics page with links to a variety of data and reports related to different environmental issues has been added to the site. The first issue of a new BC Stats periodical, "Environmental Statistics," can be accessed from this page. It is a reprint of an "Exports" article, with some additional data tables.

www.bcstats.gov.bc.ca/data/env/env_stat.asp

Released this week by BC Stats

- Consumer Price Index, September 2007

• Next week

- No subscription releases

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